

**USAID/KAZAKHSTAN**  
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## **Part III: Performance Narrative**

### **A. Challenges**

Kazakhstan's vast size, its ample oil and gas resources, and its strategic location between regional powers give it a special relationship with the U.S. Its proximity to Afghanistan to the south, the stabilizing strength of its economy, and the strategic partnership make Kazakhstan an important ally. It is the wealthiest of the Central Asian republics; yet, the country's recent macroeconomic strides belie serious underlying political, subregional, and socio-economic weaknesses which could undermine stable development.

Kazakhstan's monetary, financial and fiscal policies indicate the government's commitment to reform. However, continuing control, corruption and patronage stifle the development of a broad and diverse business sector outside of the oligarchy. GDP growth with agriculture appears healthy at 13.2% during FY 2001, but a substantial portion of this growth is due to oil and gas, and a shadow economy and large income disparities continue to grow. Kazakhstan's oligarchic tendencies spill over into the political realm, where FY 2001 showed a marked disdain for civil liberties and political activism. While the NGO community has grown and strengthened, experiencing some surprising successes in advocacy, independent media and political groups suffer chronic government harassment.

Social conditions and services have deteriorated and not yet improved. While health care reform was earlier embraced in Kazakhstan, the government lacks a consistent health policy or funding. Positive reception of new primary health care models at the oblast level demonstrates public demand for reform. Introduction of new, more transparent payment systems has also met with success. HIV is a growing problem in Kazakhstan, and incidence of tuberculosis and hepatitis remain above international norms. Public education, which was strong during Soviet times, has sharply deteriorated since independence.

Sustainable and efficient management of energy and water resources is a new concept, and waste is widespread. Public awareness is slowly building, thanks to demonstrations of inexpensive, easily maintained, efficient heating systems, coupled with development of rational rate and tariff structures for energy and water. Oil extraction practices still have left much to be desired. Cleanup of older oil fields, as well as instilling better practices for future extraction, is another concern.

### **B. Program Performance**

#### **115-0120: Increased Soundness of Tax and Budget Policies and Administration**

The fiscal reform program continued to make important contributions to Kazakhstan's economic stability and growth. By helping increase government revenues and the efficiency of public expenditures, and by making government more responsive to public demands, USAID helps expand economic opportunities and reduces the potential for conflict.

The tax and budget program showed some of the strongest results in USAID's development portfolio. All indicators exceeded targets, most notably tax revenues as percentage of GDP and our program budgeting benchmarks. President Nazarbayev's call for sweeping reforms in Kazakhstan's fiscal policy reflected the internalization of and commitment to modern fiscal practices in taxation, budgeting, intergovernmental relations, and the financial status of local governments. USAID's Economics and Business Education Network (EdNet) helped ensure the sustainability of reforms by teaching youth modern economics and business principles. This SO most directly benefits selected government officials, entrepreneurs and foreign firms. The general public benefits from more equitable and transparent tax collection and from better public services and public expenditure processes.

USAID achieved marked success helping improve tax and budget policies and administration in Kazakhstan, which has one of the best records of fiscal reform in the former Soviet Union. The tax code and administration targets exceeded expectations. The new Tax Code, passed in FY 2001, is more transparent and easily enforced than the previous code, limiting possibilities for corruption. Improved compliance in tax revenue collections caused a 32% increase in total tax revenue over last year.

In general, the Government of Kazakhstan (GOK) demonstrated commitment to fiscal reform. Targets for improving budget development and execution exceeded expectations. USAID finalized an MOU with Parliament through which we jointly analyzed the impact of policy changes and budget performance and objectively evaluated the 2002 budget. The Ministry of Finance accepted and implemented a number of recommendations made by USAID technical advisors on the budget development process, including implementation of medium-term economic forecasting, which improved expenditure planning. All key USAID recommendations regarding establishment of an innovative off-shore Oil Fund were accepted, including the use of international auditors, making it the first of its kind in the former Soviet Union. The fund totals well over \$1.5 billion in savings and reduces the economic impact of fluctuating oil prices. Advisors also completed a financial assessment of the Atyrau region, which the EBRD used to extend a \$20 million infrastructure loan to the region.

USAID's shift toward improving local-level fiscal finance is moving forward rapidly, despite the GOK's lack of commitment to decentralization. In FY 2001, USAID surpassed its intergovernmental finance targets. Ust-Kamenogorsk will now include medium term economic forecasting as part of its budget process and has begun reengineering its financial management system. This program will expand into Pavlodar oblast, where another USAID program laid the groundwork for work with the local government. Despite recent controversial changes in the administration, Pavlodar officials have voiced their enthusiasm for the program.

In conjunction with the EBRD and EU-TACIS, USAID fiscal reforms will continue to bring greater transparency and accountability to national and local governments, helping raise the level and responsiveness of public services. This SO is significantly ahead of schedule. The past several years' results, in conjunction with the GOK's willingness to undertake and implement reforms, make FY 2003 the target date for graduation.

#### **115-0131: Improved Environment for the Growth of Small and Medium Enterprises (SMEs)**

A strong SME sector fuels economic growth and job creation, helping ensure that the benefits of growth are widely shared. Expanding economic opportunities helps reduce potential for social tension and conflict. USAID's SME program was successful in FY 2001; each of our four indicators exceeded targets. The GOK continued strong commitment to economic reform. USAID training and educational initiatives provided modern business knowledge and skills to a broad base of students and entrepreneurs. Private firms gained access to capital through commercial loans and new financial instruments. Legal and regulatory reforms also helped the operating environment for businesses by identifying and removing barriers that discourage higher levels of investment.

While the direct beneficiaries of this program are entrepreneurs, students and private firms, a broad range of Kazakhstani citizens benefit from healthier markets, increased credit opportunities, and easier environment for investment.

During FY 2001, the GOK officially recognized USAID as the "Small and Medium Enterprise Donor of the Decade." Our chief indicator, a Business Environment Index that measures numerous aspects of the SME environment, surpassed its target. USAID increased training to entrepreneurs and prospective accountants, and university faculty and students gained additional access to a wealth of educational tools useful in a free market economy. The index measuring access to business information, knowledge and skills exceeded expectations.

USAID's Business Advisory Services brought western experts to local companies seeking to improve their businesses. For example, after just a few weeks on site, a USAID-sponsored Senior Executive Volunteer helped a dairy in Atyrau substantially expand its product line and sign a deal with a multinational catering company responsible for preparing 10,000 meals a day. With USAID support, Israel's Center for Cooperation (MASHAV) disseminated greenhouse technology in Atyrau that helped increase the number of farms employing greenhouses in the region from five to 14.

In its first year of existence, participation in USAID's Network for Economics and Business Education (EdNet) grew to 69 universities, giving professors of economics and business opportunities to narrow the

disparity between western and Central Asian curriculum standards. EdNet also established its core group of seven member universities and worked with organizations like Eurasia Foundation and Transparency International to address educational and anti-corruption issues. In EdNet's summer courses, 84 professors (80% women) were trained and now are able to incorporate modern principles of business and economics into their curricula. Over 900 students have been exposed to modern economic and business principles. Regional funding supported the EdNet grant competition so that approximately 25 winners can further their economics research.

Development of the accounting profession and the application of international standards are critical to corporate governance and sustainable business growth. With significant input from USAID advisors, the Ministry of Education committed to adopting a global model accounting curriculum at Kazakhstan's universities. USAID will provide training and use regional funding to support the licensing, translation and printing of modern textbooks. The Chamber of Auditors and Accountants joined the International Council of Certified Accountants and Auditors (ICCAA). With members throughout Central Asia, Russia and Ukraine, ICCAA is establishing an internationally recognized education, examination, and certification program developed by USAID for Russian speakers.

Results in USAID's program to develop Kazakhstan's financial markets exceeded expectations. The corporate bond market grew by \$260 million (a 200% increase), topping \$392 million in issues and providing an additional source of capital for SME growth and expansion. Thanks to two USAID-guided corporate bond issuances, Vita Co., an agro-processing enterprise, expanded from 60 to 400 employees and increased revenues by over \$6 million in just two years.

USAID assistance helped increase home mortgage loans, which rose from \$1 million to \$10 million in just one year, allowing more than 1500 families to purchase their own homes. USAID helped Kazakhstan become the first FSU country to issue a mortgage-backed bond, which included a DCA guarantee, and the first to create a National Mortgage Company. USAID helped develop a grain warehouse receipts program, which, when fully operational, will give farmers access to capital using grain as collateral. Assets in Kazakhstan's private pension system increased by more than 56%, surpassing \$1.1 billion. Other successes include the passage of a consolidated banking supervision law, the enactment of a new insurance law, and the consolidation of four pension regulatory bodies under the National Bank.

USAID's Kazakhstan Community Loan Fund (KCLF) expanded its product line to offer larger loans, reached self-sustainability at its Shymkent office, and opened a third branch in Almaty. KCLF's client base grew to 3,632 during FY 2001, with the outstanding portfolio reaching nearly \$800,000. One KCLF impact client who started receiving loans of \$100 two years ago has now expanded his bakery from less than a handful of employees to 22, supplying nearly fifty stores with his baked goods.

USAID legal and regulatory reforms met expectations. To promote trade and investment, USAID obtained the agreement of the State Customs Committee to work with customs brokers' associations to develop "due diligence standards" and assisted the State Customs Committee's efforts to win a place on the Budget Committee of the World Customs Organization. USAID advisors developed an Investor Roadmap for the East Kazakhstan, Atyrau and Mangistau oblasts that identified barriers to SME growth. East Kazakhstan and Atyrau oblasts followed up with steering committees that are implementing recommendations for key procedural and administrative reforms that will improve the operating environment for SMEs.

Eurasia Foundation (EF) made 42 grants totaling \$550,000 to help entrepreneurs expand their businesses and increase their incomes. EF purchased more than 3,000 books for universities, published 14 books, and helped start 55 new businesses. EF also provided 174 loans that strengthened existing businesses and created more jobs throughout the country. USAID also helped local banks increase access to credit for farmers.

Success in FY 2001 was outstanding. In the banking sector, Kazakhstan is ready for graduation and will begin implementing its exit strategy during FY 2003. Due to the success of the Financial Protection

Initiative, USAID plans to shift from pension and insurance regulation to the introduction of a credit rating agency and a credit bureau.

#### **115-0161: Improved Management of Critical Natural Resources in Kazakhstan**

Regional water and energy cooperation is important to U.S. strategic and commercial interests. Equitable sharing of water resources is critical to economic growth and to maintaining harmonious relationships between the downstream and upstream republics. A major drought began in the summer of 2000, heightening interstate tensions over the equitable allocation of water. The drought, which is continuing into its third year, has severe impact on the livelihoods of the people of the Aral Sea basin. Of greatest interest to the U.S. is Kazakhstan's emergence as a significant energy producer in the near future. The U.S. would like to see its commercial interests participate in the development of oil and gas fields, and would like to see new delivery routes for these energy supplies. Recently, the presidents of the U.S. and Kazakhstan signed an MOU related to cooperation in the energy sector.

Kazakhstan's chief success in the natural resources sector this year came with the introduction of petroleum policy reforms that improve commercial market conditions. Three demonstration models were developed, though our target for this past year was zero. Our training program has been robust in the water and energy sectors. However, we were overly optimistic with our projections for replication of our training courses by others. Substantial progress has been made in introducing critical new policies and appropriate technologies to improve natural resource management. Overall progress in meeting planned SO targets was met; we exceeded some targets and fell short of others.

This program most directly benefits energy and water officials, officials of the hydro-meteorological service, legislative decision-makers in the oil, energy, and water sectors, and oil company officials. The citizens whom they serve ultimately benefit from their broader, better applied knowledge base and the policies that they establish. Many citizens will benefit from activities that support job generation.

In FY 2001, USAID's water sector initiatives in Kazakhstan were two-fold: upgrading data monitoring systems for water allocation decisions and training in how to use this data and apply it in transboundary and national water management decisions. We are well on the way to improving the collection of hydro-meteorological data. Training for local laborers and water managers led to the installation of the first of several World Bank-financed stream monitoring stations in Kazakhstan. A USAID-funded system for communication of this data between all hydrological stations in the region is also underway. The data obtained through this activity will also serve a recently launched transboundary water initiative to develop bilateral agreements between Kyrgyzstan and Kazakhstan related to cost sharing for upstream infrastructure, which is of common interest and benefit to both republics. Individuals in the Water Committee within the Ministry of Environment will play a larger role in future transboundary discussions.

Our regional training program couples classroom learning with practical application of policies and technologies in the field. New concepts related to oil and gas field clean-up, heating efficiency, and managing hydro-meteorological data have been introduced.

At the request of the Deputy Prime Minister, USAID commissioned the *Domestic Petroleum Products Study* to address issues between the GOK and the international oil companies related to quotas established for the export of oil. This study, with its strong anti-corruption element, continues to serve as the basis for policy reform in the petroleum sector. The GOK has been slowly accepting many of the reforms recommended in the study, including:

- Divestiture of the state commercial interest in the sector of its regulatory functions;
- A rationalized tax structure that eliminates the bias against domestic products;
- A national database that tracks petroleum products from the well fields to the markets.

Management of oil and gas partnerships is now with our institutional contractor. This has already brought about improved policy changes, including expanded public participation in regulatory decision-making and streamlining of an environmental permitting process related to air emissions.

The Climate Change Coordination Center graduated from our program; some of its functions have been assumed by the GOK, and other functions have evolved into a new NGO that will receive substantial funding from British and Canadian aid agencies. We nurtured the Kazakhstan Electricity Association (KEA) and helped it to develop into a sustainable NGO. We continue to work with KEA to develop rational tariff reform policies and to advocate for adoption of heating efficiency concepts developed under our programs.

USAID's demonstration models provide tangible bases from which to make effective points on responsible natural resource management. They demonstrate inexpensive, efficient technologies and practices that will save money for users in the long term. Though no demonstration models were scheduled for completion this year, we have already completed a soil composting model to clean up contaminated soil in an oil field; a plugging model for an abandoned oil well; and an apartment block heating efficiency model.

The Atyrau akim has voiced interest in replicating the heating efficiency model, and we expect others to follow. The local heating system operator has proposed several projects for joint implementation. A local oil company has entered into an agreement with our contractor to use their oil fields for field testing concepts related to oil field clean-up.

We are encouraged by the overall enthusiasm of NGOs, local officials and the private sector for many of the concepts introduced under our Natural Resources Management Project (NRMP). Our team is beginning to use videotapes effectively both for classroom presentations and to introduce demonstration models to the public and other interested parties. At the NGO National Conference, NGOs from Atyrau advocated for concepts we helped introduce.

One of our biggest challenges remains our collaborative effort with the Israeli development assistance agency, MASHAV. Aral Sea wetlands livelihood activities are far behind schedule, with adverse impacts upon our performance targets. These activities will receive no additional funding this year and may either roll over to another contractor or be abandoned altogether.

The Eco-links program in Kazakhstan is in the sixth cycle of grants linking US and Kazakhstani firms in implementing environmental projects. The program has awarded almost \$600,000 in grants. Kazakhstani firms have received ten partnership grants in the areas of wastewater, cleaner production and environmental management planning. The Livestock Collaborative Research Support Program is in Kazakhstan measuring the impact of management changes to pasture areas on carbon levels in the soil. This basic research program is increasing the skills of agricultural researchers working on the project.

#### **115-0211: Strengthened Democratic Culture Among Citizens and Targeted Institutions**

Democratization is one the greatest challenges in Kazakhstan given the authoritarian nature of the government and the relatively few diplomatic leveraging tools. Oil and security interests (especially post-September 11<sup>th</sup>) are of primary importance. However, long-term stability in the region will not be possible unless political space opens and human and civic rights are respected. Recognizing the slow pace of political development in Kazakhstan, USAID's strategy focuses on the next generation by developing a democratic culture, primarily among youth. Our strategy emphasizes civil society as the basic foundation of democracy. Enabling citizen access to information, and where we can, promoting democratic political processes and institutions, are also key components.

USAID met its strategic objective of strengthening democratic culture among citizens and targeted institutions. According to polling data, 41% of the population exhibited civic consciousness and activism, our primary indicator. USAID exceeded its goal of producing stronger and more sustainable organizations, notably in terms of their organizational capacity, financial viability and social partnership building. NGOs exceeded the sustainability target, and USAID-supported NGOs strengthened and honed their advocacy skills. The NGO community helped bring about a consumer's rights law, a new student contract with state universities, and Kazakhstan's first NGO Law. The NGO law, while not perfect, represents a step forward in the legal recognition of NGOs and is the first of its kind to be drafted by and at the initiative of Kazakhstani senators. These achievements are remarkable in the face of government harassment of politically active NGOs.

Another target met by USAID's democracy efforts was the increase in the availability of information on civic rights and domestic public issues. USAID supports a civics education textbook for 10<sup>th</sup> and 11<sup>th</sup> graders that focuses on such topics as women in political life in Kazakhstan, international human rights and civic responsibility. USAID's target of 3,000 students using these textbooks was surpassed with a total of 9,965. An additional 44,910 students were involved in other civics education programs.

The beneficiaries are citizens, students, local communities, NGOs and independent media. Citizens ultimately benefit through better services from NGOs, the judiciary, and local communities, and have balanced news and information about their rights in a democratic society. Students gain a better understanding of the workings of democracy and can peacefully advocate for changes. NGOs directly benefit from our assistance through both financial support and through training that strengthens their capacity and sustainability. Media outlets receive equipment, programming, and technical assistance that enable them to improve their programming and business operations.

With USAID assistance, the non-governmental sector in Kazakhstan made noteworthy achievements. A diverse network of NGOs and media outlets flexed its collective muscle and organized a nationwide advocacy campaign against repressive government-sponsored amendments to the Media Law. This campaign involved over 45,000 citizens and resulted in parliamentary majority vote against amendments during the first reading. In another example, a local NGO that participated in USAID's NGO program was able to attract approximately \$41,000 from Chevron to begin a deaf Russian translation project on Khabar, the Kazakh channel. Chevron is covering all initial costs, after which the Ministry of Social Affairs will continue support.

USAID completed gathering baseline data for a Media Barometer Index through focus-group discussions with representatives of national and regional non-state media outlets. According to baseline data, Kazakhstani media ranked highest of the Central Asian countries, a tribute to their business skills and professional standards. Areas where Kazakhstan excelled included the organizational capacity of independent media and the development of organizations supporting independent media. However, the social and legal environment in which they work grew more difficult. USAID learned first hand how difficult the landscape is for independent media when the President's son-in-law sued our primary media grantee for defamation. The suit stems from an article stating that the President's daughter and son-in-law own the majority of media outlets in Kazakhstan. Despite the increasingly difficult environment, USAID continues to spearhead media reform through a weekly socio-political program, "Aina". This program provides independent TV stations with programming that helps them meet the Kazakh language and local content requirements of the new media law.

Over 330 schools use the USAID-funded civics education textbook and associated teaching materials, giving students a new perspective on government and their role in society. A total of 645 students participated in extra-curricular civic activities such as student local government days, democracy summer camps, and student action committees, which provided a chance for them to become more active in solving social issues and learn more about Kazakhstan's political and social life. Over 55,000 students participated in Critical Thinking, Step by Step, Debate Center and Volunteer House programs are aimed at developing more democratic teaching methods in schools, attracting parents to the education process, and increasing student activism. Five students from the National Debate Club participated in parliamentary hearings on youth policy. Two of the five students presented a draft law on Youth Policy to Parliament members. All civics education programs enjoy support from the Ministry of Education and other governmental institutions.

USAID was pleased with Parliament's provision of computers to the USAID- and UNDP-supported legislative drafting center. USAID's legal information centers operate in several universities, providing greater access to legal information and promoting greater participation in legal reform. The legal information center located in Oskemen opened with significant in-kind contribution from a local state library. Since the GOK has not demonstrated a commitment toward judicial and electoral reform, USAID limited its technical assistance to these areas.



USAID gender activities are implemented through a gender legal specialist and through a grant to promote anti-trafficking activities. Anticorruption activities, another of USAID/CAR's crosscutting issues, are implemented through Transparency International-Kazakhstan (TI-K).

The emergence of the Democratic Choice of Kazakhstan (DCK) movement late this year may indicate an opening of the political space in Kazakhstan. Recent harassment of media and businesses owned by DCK members indicates that President Nazarbayev may not be willing to allow political opposition/pluralism. The DCK, which advocates judicial, media and electoral reform and decentralization is included in USAID's political party assistance program. Depending on what steps the DCK takes and how the GOK reacts, USAID may put some limited additional resources toward political party work in Kazakhstan this year.

#### **115-0230: More Effective, Responsive, and Accountable Local Governance**

The lack of political will makes decentralization a difficult challenge. As a result, USAID has focused our energy and resources on building capacity in local government. While there were some noteworthy accomplishments over the past year, targets for this SO were not met overall. Polling data revealed a decrease from FY 2000 in the public's confidence in local government, our primary indicator. The beneficiaries of this strategic objective are citizens, local communities and municipal governments. Municipal governments benefit directly through training and technical assistance that improves their capacity to deliver services to citizens.

USAID's efforts helped introduce public hearings on a host of issues. Cities held public hearings on city budgets, alternative water supply sources and telecommunication services. The target for introducing democratic practices, which is measured by the percentage of municipalities using new citizen participation techniques, was exceeded. Efforts to increase the capacity of local government, which is measured by the percent of people satisfied with the delivery of municipal services, also met with success. In 2001, 63% of the population was satisfied with the delivery of services, surpassing the target. In USAID's pilot cities, the level of satisfaction was as high as 69%. Local government suffered a severe blow when the GOK fired number of young reformers. While the loss of these key counterparts devastates our local government activities, it also opens new opportunities for discourse on topics previously avoided.

In FY 2002, this SO will merge with SO 2.11, "Strengthened democratic culture among citizens and targeted institutions." Combining these two strategic objectives may allow a broader application of the local government program and further integration with the democracy objectives and programs.

We have had several noteworthy achievements. In FY 2001, 18 public hearings were held in ten cities throughout Kazakhstan. Public hearings are now becoming a popular tool for soliciting citizen input. Local governments are becoming more accountable to those they represent, and citizens' confidence in their elected officials to protect their interests is strengthened. In Leninogorsk, a small industrial city in East Kazakhstan, the first public hearings on utility rate increases were held as a result of a USAID-sponsored study tour to Poland on decentralization reforms for Maslikhat (local elected councils) deputies. One study tour participant, conducted training in public participation techniques she learned during the study tour. USAID trainers conducted a special seminar for the city Maslikhat deputies on how to hold public hearings.

With USAID support, community-based economic development councils were started in three municipalities. These unique councils, made up of Maslikhat deputies, business NGO leaders, entrepreneurs and local government officials, are a step toward greater citizen participation in regions where all decision-making, including economic development planning, has been dictated by the oblast. As part of the local government initiative, the first best practices conference was held in September 2001. The city of Lisakovsk was recognized for its groundbreaking efforts to increase citizen participation, manage and disseminate information, and increase capacity of local government officials. Lisakovsk received a Eurasia Foundation grant to develop a strategy of economic and social development.

USAID concentrated its pilot assistance efforts in Pavlodar Oblast. Assistance on organizational and functional analysis (OFA) included a series of seminars and discussions with local government representatives. These events resulted in decentralization recommendations for health and education issues. As a result, the oblast administration transferred some government functions to lower levels of government. USAID's recommendations are being used on an on-going basis in the central government's decentralization discussions.

USAID supported three anti-corruption seminars in Almaty and Shymkent. City council representatives from three USAID-assisted cities visited the U.S. as part of the State Department's International Visitors program to learn about transparency in local government. A partnership between Almaty and Tucson is helping the Almaty local government address issues concerning solid waste management and small and medium enterprise development. Another partnership between Helena, Montana and Pavlodar Oblast seeks to improve Pavlodar's solid waste management.

USAID's local government contractor produced a videotape on housing reform which was broadcast on national television and several regional stations, including those in Taraz, Karaganda and Aktobe. Prior to a parliamentary hearing on housing reform, members of Parliament viewed the tape, decided to bolster efforts in housing reform, and adopted a law on housing cooperatives.

Another highlight of the local government program is the training provided to civil servants, Maslikhat deputies and housing officials. In January 2001, a poll was conducted of training participants. Of the Maslikhat Deputies who responded to the poll, over 80% reported that they initiated new citizen participation efforts due to the training they received. Over 90% of the deputies reported that they had a much clearer understanding of their roles as elected leaders. A total of 2,000 people were trained last year (60% women). USAID support to civil service regional training centers provided a model to the GOK for its national civil service training.

#### **115-0320 Increased Utilization of Quality Primary Health Care in Select Populations**

Despite mixed support for health reform, Kazakhstan and the United States signed an MOU this year on local initiatives, recognizing USAID's objectives in primary health care (PHC) and tuberculosis (TB) and USAID's focus at the oblast level. The GOK's recent reorganization of its Agency for Health Affairs to the Ministry of Health (MOH) will increase the resource and power base of Kazakhstani health officials. USAID is seeking ways to engage the MOH to collaborate in programs that will increase responsiveness, accountability and transparency.

Overall, performance exceeded planned targets. Given the obstacles to PHC and TB Directly Observed Treatment, Short Course (DOTS) strategy at the policy level and the constantly shifting national leadership in the health sphere, two results -- expansion of PHC coverage and continued declines in TB mortality -- exceeded our expectations. Beneficiaries of USAID's health activities include the general population of Kazakhstan, especially women and children, TB patients, PHC doctors and nurses, and TB and laboratory specialists. Regional funds were used to support HIV/AIDS and other infectious disease activities, as well as development of a field epidemiology training program.

"Keeping Children Healthy" campaigns taught 1 million people about breastfeeding, appropriate use of antibiotics and appropriate feeding for children with diarrhea. Knowledge in the hands of parents can increase child survival. PHC physicians and nurses were better able to provide care for children with diarrhea and acute respiratory infection as training in Integrated Management of Childhood Illnesses expanded, with almost 300 trained last year. USAID supports a Drug Information Center to inform physicians at all levels of the health care system on the most effective and least costly medications. USAID continues to collaborate with DFID in family medicine training efforts.

Kazakhstanis in pilot areas are increasingly relying on PHC practices for their outpatient care, rather than specialty polyclinics that previously dominated. In pilot sites, PHC's outpatient visit share increased from 7% in 2000 to 47% in 2001, primarily driven by expansion of PHC reform to additional geographic areas and the formation of 229 more PHC practices for a total of 602 in pilot areas. Reformed PHC practices now cover approximately 39% of the population of Kazakhstan. More than 700,000 people from Pavlodar

oblast recently enrolled in new PHC practices. One family doctor explained her reaction after an enrollment campaign: "I felt happy when 10,500 people enrolled in our practice. I get up in the morning and I smile. I want to be at my workplace as soon as possible. We have changed. In former times there was no relationship between doctor and patients."

Nationwide monitoring of PHC practices indicate that only 36% currently meet minimum standards on clinical and management training, equipment, physical structure, access to laboratory, drugs and clinical and financial information systems. However, established practices more often meet minimum standards (48%) than new practices (33%). Reproductive health (RH) services are integrated into PHC and a pilot on RH quality improvement has been initiated. USAID also supports a RH Hotline. Nevertheless, the nationwide shortage of contraceptives in the public sector has limited achievement in RH.

As a result of joint USAID and GOK efforts to control tuberculosis, the national TB mortality rate continued to decline from 38.4/100,000 in 1998 to 26.9/100,000 in 2000, respectively (a 29.9% decrease). This decline is projected to continue in 2001, though official statistics have not yet been reported. USAID and the Centers for Disease Control and Prevention (CDC) calculated that implementation of DOTS strategy saved approximately 5,000 Kazakhstani lives. Kazakhstan's new TB regulations were successfully revised to eliminate inconsistencies with DOTS. The TB Electronic Case-Based Surveillance System developed by USAID, which allows policy makers to rapidly analyze trends and make informed decisions, became fully operational throughout the country with a database established in January 2001. Baseline results from nationwide monitoring indicate that 65% of TB laboratories and facilities currently meet minimum standards.

USAID and CDC assisted the GOK in introducing immunization for newborns against hepatitis B in 1998. Through GOK-purchased vaccines, 97% of newborns in Kazakhstan are now protected. As a consequence, no hepatitis B cases were reported among children aged one to six in 2000, compared to 27-87 cases per 100,000 population in 1990.

The health partnership between the Kazakhstan School of Public Health (KSPH) in Almaty and Virginia Commonwealth University focused on improvement and development of post-graduate programs, research and service functions. KSPH is the only School of Public Health in Central Asia, and its graduates will likely be the managers upon whom future health systems will depend. Last year, new short-term certificate programs in public health and health management educated 750 students who will bring new administrative skills to their work sites. A curriculum for a Ph.D. program in health services research has also been designed and approved by the Ministry of Education. A partnership between the City Health Administration in Astana and Mercy Health System in Pittsburgh, Pennsylvania is developing a model urban PHC clinic with unique features: integrated delivery of social services; an advisory community board; and community groups that help 2,300 citizens find ways to cope with health problems, such as hypertension.

USAID is strengthening the organizational development, strategic planning and community outreach skills of six health sector professional associations and community-based organizations. NGOs can promote quality standards in health care and advocate their communities' health needs. One NGO received a community action grant to open a support center for children whose parents have been hospitalized with TB. Kazakhstani and Kyrgyzstani PHC-focused NGOs formed a Central Asian coalition to facilitate exchange of best practices.

USAID's strategy to combat the spread of HIV/AIDS in Central Asia is based on prevention and control of the disease within high-risk groups. USAID funded a study tour for government officials to a model Harm Reduction site in Lithuania; conducted a Central Asian Condom Social Marketing Assessment and Workshop; and held the Central Asian Initiative Conference on the Prevention of HIV/AIDS/STIs in collaboration with UNICEF and UNAIDS. In December 2001, USAID and the Soros Network established a joint program with the expectation of extending preventive activities to currently unserved populations, such as injection drug users, sex workers and prisoners. In addition, USAID will support a condom social marketing program.

### **115-0420: Crosscutting Programs**

USAID/CAR's Crosscutting Program in training and Eurasia Foundation small grants to NGOs involved in civil society, business education, and media serve all six strategic objectives. In FY 2001, USAID trained over 700 Kazakhstani citizens (approximately 50% women) with an emphasis on the growth of small and medium-sized enterprises, democratic development and utilization of primary health care. An important hallmark of training is its regional nature, which allows colleagues across borders to share lessons learned and, where relevant, to develop cooperative solutions to common problems. Energy sector officials from all five countries who participated in two study tours developed a model for creating a Central Asian wholesale electricity market upon their return. Training supports and complements USAID's crosscutting objectives of youth and education, rule of law and anticorruption, reduced gender bias, and conflict prevention. The beneficiaries represent a broad cross section of society: government ministers, heads of businesses and NGO leaders, and citizens committed to reform in their areas of expertise. This crosscutting program has gained importance in light of September 11, which underlined the need to focus even more on conflict prevention in Central Asia.

As a result of intensive training activities and technical assistance in the tax area to the Ministry of State Revenues, the GOK developed a new Tax Code that went into effect in January 2002. The GOK's chief advisor on pensions attended an international forum where she shared in the experiences of other CIS countries in pension reform. She encouraged draft legislation consolidating the three existing bodies regulating Kazakhstan's pension fund into a single unified system. In fall 2001, the legislation was signed into law.

Kazakhstani parliamentarians who attended a study tour of the Netherlands and Norway established a \$650 million oil fund in January 2001. By October, the oil fund's assets totaled about \$1.5 billion. A study tour in Poland inspired Maslikhat Deputies to widely publicize their experience in the mass media; conduct training for other deputies; establish NGOs and centers to help combat drug abuse; prepare citizens and candidates for the October 20 rural akim elections; and prepare recommendations for the Maslikhat deputy handbook and to the Kazakhstan Agency for Strategic Planning.

Eurasia Foundation made 42 grants to Kazakhstani NGOs in FY 2001, with an average grant size of nearly \$28,000. Half of these grant funds supported private enterprise development, with the remainder targeting improvements in civil society and public policy and administration. Grantees helped start 55 new businesses, defended citizens' rights with more than 800 legal consultations, published the first university-level business textbook in Kazakh, and added 12 new courses for curricula in Kazakhstan's leading universities. 13 grant recipients made history in FY 2001 with the first citizen lobbying effort in Kazakhstan, targeting a flawed bill that would allow the national government to regulate local governments. Thousands of signatures were collected and submitted to Parliament in opposition of the bill. Although the executive branch quietly pulled the bill, the campaign trained 3,000 activists in civic campaign tactics and awakened citizens' interest in fighting centralized autocratic rule. The Parliament paused in the face of widespread public opposition instead of simply rubber stamping legislation sent from the President.

**Table 1: Annual Report Selected Performance Measures**  
**KAZAKHSTAN**

**December 3, 2001**

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives						
1	Did your operating unit achieve a significant result working in alliance with the public sector or NGOs?	Yes X	No	N/A	FSA	
2	a. How many alliances did you implement in 2001? (list partners)  b. How many alliances do you plan to implement in FY 2002?	11: Soros Network, Project HOPE, States of Illinois, Alabama, and Pennsylvania, Exxon Mobil, AES, University of Michigan, Chevron, Shell, Soros Foundation  13			FSA  FSA	
3	What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?	\$246,000			FSA	
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.						
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (115-0120: Soundness of Tax and Budget Policies and Administration)	Exceed X	Met	Not Met N/A	FSA	
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (115-0131: Small and Medium Sized Enterprises)	X			FSA	
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (115-0161: Management of Critical Natural Resources)		X		FSA	
USAID Objective 1: Critical, private markets expanded and strengthened						
5	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged						
6	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable						
7	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded						
8	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
9	a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual)  b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total N/A  N/A		
USAID Objective 5: World's environment protected						
10	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
11	a. Hectares under Approved Management Plans (2001 actual)  b. Hectares under Approved Management Plans (2002 target)	N/A  1,000			FSA	
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.						
12	If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets? (115-0320: Utilization of Quality Primary Health Care)	Exceed X	Met	Not Met	FSA	
USAID Objective 1: Reducing the number of unintended pregnancies						
13	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	FSA	
USAID Objective 2: Reducing infant and child mortality						
14	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
<b>USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth</b>					
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	FSA	
<b>USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries</b>					
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A	FSA	
<b>USAID Objective 5: Reducing the threat of infectious diseases of major public health importance</b>					
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A	FSA	
<b>Pillar IV: Democracy, Conflict and Humanitarian Assistance</b>					
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? (115-0211: Strengthened Democratic Culture)	Exceed	Met X	Not Met	FSA	
<b>USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened</b>					
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X	FSA	
<b>USAID Objective 2: Credible and competitive political processes encouraged</b>					
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
<b>USAID Objective 3: The development of politically active civil society promoted</b>					
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
<b>USAID Objective 4: More transparent and accountable government institutions encouraged</b>					



Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
22	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
<b>USAID Objective 5: Conflict</b>						
23	Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
24	Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
25	Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total N/A		
<b>USAID Objective 6: Humanitarian assistance following natural or other disasters</b>						
26	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
27	Number of beneficiaries	N/A				

**Table 2: Selected Performance Measures for Other Reporting Purposes - KAZAKHSTAN**

The information in this table will be used to provide data for standard USAID reporting requirements

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Child Survival Report						
Global Health Objective 1: Reducing the number of unintended pregnancies						
1	Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	52.7			FSA	1999 Demographic and Health Survey
Global Health Objective 2: Reducing infant and child mortality						
2	Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male 99.5	Female 96.2	Total 97.7	FSA	1999 Demographic and Health Survey
3	Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male NA	Female NA	Total 32	FSA	1999 Demographic and Health Survey
4	Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male NA	Female NA	Total NA	FSA	
5	Were there any confirmed cases of wild-strain polio transmission in your country?	No				
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth						
6	Percentage of births attended by medically-trained personnel (DHS/RHS)	99.1			FSA	1999 Demographic and Health Survey
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance						
7	a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual)	n/a				
	b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)	n/a				
8	a. Proportion of districts implementing the DOTS Tuberculosis strategy (2001 actual)	100%			FSA	
8	b. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 target)	100%			FSA	

## HIV/AIDS Report

### Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

9	a. Total condom sales (2001 actual)	n/a			FSA	
	b. Total condom sales (2002 target)	100,000				
10	a. Number of individuals treated in STI programs (2001 actual)	Male: 176	Female: 1,974	Total: 2,150	FSA	
	b. Number of individuals treated in STI programs (2002 target)	176	1,974	2,150	FSA	
11	a. Is your operating unit supporting an MTCT program?	no				
11	b. Will your operating unit start an MTCT program in 2002?	no				
12	a. Number of individuals reached by community and home based care programs (2001 actual)	Male: n/a	Female: n/a	Total: n/a		
	b. Number of individuals reached by community and home based care programs (2002 target)	n/a	n/a	n/a		
13	a. Number of orphans and vulnerable children reached (2001 actual)	Male: n/a	Female: n/a	Total: n/a		
	b. Number of orphans and vulnerable children reached (2002 target)	n/a	n/a	n/a		
14	a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual)	Male: n/a	Female: n/a	Total: n/a		
	b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)	n/a	n/a	n/a		

Victims of Torture Report					
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture					
15	Did you provide support to torture survivors this year, even as part of a larger effort?	no			
16	Number of beneficiaries (adults age 15 and over)	Male n/a	Female n/a	Total n/a	
17	Number of beneficiaries (children under age 15)	Male n/a	Female n/a	Total n/a	

Global Climate Change			
USAID Objective 5: World's environment protected			
18	Global Climate Change: See GCC Appendix	n/a	